

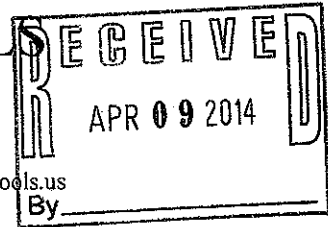
FULTON COUNTY SCHOOLS

Proficiency, Positive Relationships, & Pilot Pride

2780 Moscow Avenue

Hickman, Kentucky 42050

Telephone: (270) 236-3923 Fax: (270) 236-2184 Site: www.fulton.kyschools.us



March 21, 2014

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Assessment Coordinator
Craig Turner

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Shelly McClain

Administrative Assistant

Maegan Scott

Corrective Action Plan

Fulton County Schools respectfully submits the following corrective action plan for the year ended 2013.

Name and address of independent public accounting firm:

Alexander Thompson Arnold (ATA)

301 Maple St

Murray, KY 42071

Audit Period: July 1, 2012 -- June 30, 2013

The findings from the June 30, 2014 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. The ultimate compliance of these actions listed below falls on the Superintendent, Aaron Collins.

FINDINGS- FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

FINDING 2007-001

Recommendation: In order to correct the circumstances described, the District may consider the employment of a highly trained accountant person, such as a CPA or, consider engaging a second CPA firm. In this instance, one CPA firm would be engaged to prepare the District's financial statements in accordance with accounting principles generally accepted in the United States and, the other firm engaged to conduct the audit of the District's financial Statements.

Action Taken: Due to the lack of internal controls, the District suffered from embezzlement. The district terminated the Chief Financial Officer in October of 2013 after an internal investigation. Since that investigation, a fiscal audit revealed the misappropriation of over \$100,000 during the 2013 fiscal year. The District hired ATA to do a forensic report that is currently in the hands of the Kentucky State Police and the district will receive the findings after the state finishes their investigation. The District has since hired a CFO with book keeping experience, although she is not a CPA. However, the District has put in place internal controls such as a separate person doing payroll, a separate person doing accounts payable, and a separate person doing bank deposits. The District has also closed a credit card account and the CFO does not have a credit card in her name. Furthermore, the District is following strict guidelines in place concerning purchase orders and the payments of those purchase orders. The District is also following guidelines concerning travel request as well as reimbursement of millage and the need to have receipts when reimbursing meals.

FINDING 2013-001

Recommendation: Establish procedures to ensure that cash transactions are recorded, reconciled, and reviewed by management in a timely manner.

Action Taken: The District agrees with this finding. The District is working with a consultant from KDE who is guiding us in not only reconciling our bank accounts, but creating procedures to reconcile accounts on a monthly basis. Gail Binder, KDE consultant and Shelly McClain, CFO are currently creating and implementing procedures for bank reconciliation.

FINDING 2013-02

Recommendation: Implement an appropriate segregation of duties by assigning different individuals responsibility for the custody of assets, recording of assets and authorization of transactions. Also, enhance management oversight by having the Superintendent more involved in the authorization process.

Action Taken: The District is following through with the recommendations and have segregated duties within the District office. Furthermore, all administrator follow the same procedures in regards to reimbursements and purchase orders and are required to have two signatures instead of one. The Superintendent reviews the majority of purchase orders and reviews coding of purchase orders. The Superintendent is also having all administrator's with budgets review budgets on a monthly basis for errors and compliance.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**U.S. DEPARTMENT OF EDUCATION****Questioned
Costs****Title I Cluster – CFDA No. 84.010 and 84.389A****MATERIAL WEAKNESS AND NONCOMPLIANCE****FINDING 2013-003****\$508,331**

Recommendation: Any reporting requirements under Federal Programs should be charged to a responsible party who possesses an understanding of the requirements and who will monitor that the required reporting is completed timely and accurately.

Action Taken: The District has a Title I Coordinator who is now reviewing Title I budgets on a monthly basis and reporting those finds monthly to the Superintendent and each building Principal. The Principal then reviews and gives a report back to the Title I Coordinator to ensure checks and balances. The Title I Coordinator is working closely with a KDE consultant to ensure Title I funds are being used properly and all monies are accounted and reconciled. The Title I Coordinator is working close with the CFO to ensure that reporting is done timely and correctly.

SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE**FINDING 2013-006****\$ ---**

Recommendation: Maintain supporting documentation sufficient to validate that the expenses for the Title I Cluster occurred as reported.

Action Taken: The Title I Coordinator is working with KDE to assure that we are have the correct reporting procedures in place that corrects a paper trail for the use of all Title I monies.

Federal Education Jobs Fund Grant – CFDA No. 84.410

MATERIAL WEAKNESS AND NONCOMPLIANCE

FINDING 2013-004

\$ 59,852

Recommendation: Any reporting requirements under Federal Programs should be charged to a responsible party who possesses an understanding of the requirements and who will monitor that the required reporting is completed timely and accurately.

Action Taken: The District agrees with recommendation and have implemented procedures immediately. Furthermore, the District was notified of improper reporting of Education Jobs Funds in September and sent a response to KDE that we received notice of the improper reporting of funds and that we will work to fix the reporting in the Spring of 2014. We expect to remedy this reporting by May of 2014. The District is working closely with a KDE consultant to assist us in placing processes in place to be sure proper reporting is done timely and accurately.

FINDING 2013-05

\$ ---

Recommendation: All grant expenditures should be reviewed and approved by someone who possesses the requisite knowledge of grant compliance requirements prior to charging expenses to federal programs.

Action Taken: We agree with the recommendations and have a Title I Coordinator who is knowledgeable to oversee grant compliance and requirements. He oversees the budget on a monthly basis and reports back his findings to the Superintendent. He is also complying with federal and state reporting procedures.

Total – U.S. Department of Education

\$568,183

U.S. DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster – CFDA No. 10.553, 10.555 and 10.559

SIGNIFICANT DEFICIENCY AND NONCOMPLIANCE

FINDING 2013-007

\$ 2,000

Recommendation: Maintain supporting documentation sufficient to validate that the expenses for the Child Nutrition Cluster occurred as reported.

Action Taken: It has been practice in the district to have a separate Nutrition account. The District will no longer have a separate account for Nutrition. The District now gives a monthly budget report to the Director of Nutrition who is able to check for accuracy and report any misgivings to the Superintendent and the CFO.

Total – U.S. Department of Agriculture